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ABSTRACT

Our society is at a point where a number of interlocking crises-inflation, ever rising expectations, war, urban problems, youth's discontent-are coming together. Money is needed at every point and the private college cannot rely on the federal government or private sources to save them from financial disaster. The private college can tackle its problems on three fronts. (1) It can improve its educational program, be more innovative, imaginative and flexible. It can set itself the task of helping youth in coping with the great moral, ethical and spiritual concerns of man. (2) It can improve its financial management policies, have a full-time, trained fund-raising staff, and recruit volunteers for this effort. (3) It can reexamine the role it must play in bringing about possible changes and improvements in public policy both at the state and federal levels. It is important that private colleges maintain their integrity and avoid becoming dependent on one source of funds. Direct governmental aid to students and tax credit for tuition would benefit the private institutions. (AF)

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Group 2
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POSSIBLE SOLUTIONS FOR FINANCIAL CRISES OF THE PRIVATE SECTOR OF HIGHER EDUCATION*

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Those of us who live and work on private college campuses have talked so long about our financial woes that we are weary of the sound of our voices. We are not very likely to give each other very much aid and comfort any more. Who is there among us who has not known moments of great discouragement, if not outright dispair, over the seemingly hopeless task of finding funds to keep our institutions afloat? And yet we keep trying. With unaccountable stubborness, and usually good spirits, we keep at the battle. Are we deceiving ourselves? Are the odds not lengthening against our survival? What hope is there that we can really find "solutions for financial crises of the private sector of higher education?" It is obvious, it has been said before; but, without apology, let me suggest once again that we will not be very successful in finding solutions except on the basis of knowing as accurately as possible just where we are and whither we are tending.

Where we are can be described in these ways:

1. We are in an inflationary economy which is experiencing a rise in the cost of living of 4% to 5% a year, and there is not much convincing proof yet that this upward spiral, even though it may be slowed, will ever end.
2. We are in a society of ever-rising expectations where most people, including employees of colleges and universities, expect their paychecks to increase each year by more than the rate of inflation.
3. We are in a nation whose rate of economic growth has for many reasons slowed down drastically, and, I suspect, is unlikely to move into high gear again very soon.
4. We are in a nation tied to military policies and expenditures, urban problems and expenditures, environmental problems and expenditures, which, for the foreseeable future, are going to take priority over federal programs and expenditures for higher education.
5. We are at a point in social history where the revolution of the young seems to threaten, annoy and outrage many of the older people of the nation who control private and public funds which might be used for education; consequently, the glamorous appeal of education - which had its finest press and its widest public support less than ten years ago - has faded considerably as we enter the 1970's.
6. We are entering into a state in which there is bound to be increasingly sharp competition for students between the higher-priced private educational institutions and the enormously expanded public educational systems, including the rapidly burgeoning community colleges.

Where we are, in short, is at a point where a number of interlocking crises come together. It does no good for us to wring our hands and bemoan our fate. It is essential, however, that we face honestly the nature of the educational world

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in which we live. The federal government is not going to save us. Private donors are not going to save us. And managerial efficiency experts aren't going to save us either.

If we stopped right there, we could easily conclude that about the only thing we can look forward to is a handing over, sooner or later, of our private colleges and universities into the custodians of some kind of state-system receivership. But I do not for a moment believe that this is our only option, and neither does anyone else I know of who has any real experience in the operation of our independent colleges and universities and who understands and believes in their mission.

Where we are can also be described in other terms. For instance:

1. We are in the land of the highest economic productivity in the world. We have the resources, if we have the will, to provide for higher education ample financial means to enable us to do our job.

2. We are in an economic and general social system which requires an enormous and ever-increasing flow of educated, trained manpower, much of which needs to have formal training and to gain increased understanding and skills beyond those acquired in the high school.

3. We have since World War II developed public appreciation of and a legal base for aid to higher education - and thus there has come legislative and judicial authorization and popular encouragement for both substantial individual and corporate giving for higher education and vastly increased federal and state appropriations for higher education. The rate of increase has slowed, but the trend is still upward.

4. We are at a point in time where the majority of young people graduating in this country from secondary schools expect to — or are expected by their parents to - acquire some kind of post high school education. This attitude in itself represents a fantastic and revolutionary idea.

5. We are in a comprehensive educational system which, of all the educational systems of the world, gives the greatest room for variety in educational programs, teaching methods, pace of learning and differences in costs.

In short, American colleges and universities, including those independently financed, continue to have large scale support from governments and the general public, encouraged by a popular belief in the virtues and pragmatic values of higher education beyond anything comparable in the attitudes and policies to be found in any other country. Where we are is in a society that enormously values higher education and has demonstrated again and again that it is prepared to pay the costs.

In a certain sense, however, these optimistic comments are a bit illusory. We run the risk of falling prey to the bankruptcy pattern of that suit manufacturer who lost a few dollars on each suit he made but was convinced that he would survive because he was making so many suits. But enough of this.

The point I am trying to make is that if we are to tackle seriously the task of finding solutions to the problems of higher education we must look at both the handicaps under which we struggle and the very great strengths we have in support of our struggle. While I admit that this is largely a declaration of faith, I have no hesitation in affirming my belief that our strengths and our potential resources far outreach our handicaps and liabilities. Having said this, which I suspect most of the rest of you would say, let us get on with our assignment of examining some of the possible solutions. Here I would like to organize my remarks under three

headings:

1. Educational program improvement
2. Managerial improvement
3. Public policy improvement

First, educational program improvement. One of the great strengths of the independent or private college or university is that it has the opportunity to be innovative, imaginative, and flexible in its program, its teaching methods, its ways of dealing with students. If these institutions provide the same kind and quality of instruction, the same degree of personal attention (or lack thereof), the same community atmosphere to be found in the large state university systems, it is going to be increasingly difficult to justify the higher costs and, indeed, even the existence of our independent institutions. It must be said, of course, that there is much innovation and experimentation in education within large university systems. However, it should be abundantly evident that it is the smaller independent institutions which have the greatest measure of flexibility and the broadest opportunities for creative experimentation. Higher education today urgently needs more and better models for new and different forms of educational programs.

Most particularly, our private colleges and universities need to set for themselves explicit goals related to what perhaps we might best call character development. By now is should be evident to all thoughtful men that the most urgent requirements for human survival are qualities of maturity, responsibility, and life-affirming creativity. The transmission of facts, information and skills, essential as this is to education, is not enough. Moreover, it is also clear that our increasingly fractionated society is apparently not now able through the home, the church and the community to provide adequately character-developing influences. Meanwhile, the schools and colleges generally refuse to take on these tasks directly and at times seem even to deny that they have any competence or responsibility to work at such tasks. Practically all of our private colleges and universities were founded by or are related to religious bodies. Part of our early and long-time mission was to help train up the young in the doctrines of a particular church or at least to provide "good wholesome Christian influences" upon the young. It is exceedingly difficult these days to indoctrinate the young in any set of inherited dogmas or traditional moral codes. Hence, increasingly the church-related colleges become embarassed by or indifferent to the church sponsorship and related traditions. Such changes are inescapable. What is also inescapable, however, is a continuing and unfilled responsibility to speak to the needs, often the desperate hunger of young people to find authentic values, true meaning, valid purposes, and fruitful relationships in their lives. Law and order crackdowns on the young will not do very much to satisfy these needs or these hungers. And certainly the young will not be helped, in their moral, ethical, and spiritual search by a cop-out permissiveness on the part of the older generation. The mission of private and church-related colleges of the land will have to be restated in fresh terms for this age. The ancient landmarks are down, but the need for guidelines remains. This is a time of existential despair, of rampart moral relativism. It is also an age which might be most fairly described as an anti-sexual age - an age in which in the midst of an obsession with sex we seem to have succeeded more completely than ever before in the history of man in making sex trivial, empty, banal - and dull. Our educational institutions ought to be providing the setting within which there can be forthright, in-depth thoroughly open wrestling with all of the great central moral, spiritual and ethical concerns of man - including his sexuality.

I am not suggesting for a moment that we turn our educational institutions into moralizing, indoctrinating or therapeutic services. What we do must be done within the framework of competent, intellectual, rigorous and responsible teaching and learning. What we have to do is to find ways of giving new and realistic content to the old pieties about "educating the whole man," "training for citizenship," "preparing for Christian service." When the private and largely church-related colleges and universities have rediscovered and reaffirmed some new and convincing moral imperative as their reason for being they will have come a long way toward solving many of their other problems, including the financial ones.

Let us turn now to managerial improvement as one of the major broad approaches we must explore in trying to cope with our financial crises. Just as we were approaching the end of a twenty year bull market most of our private educational institutions began to realize that in the management of their endowment resources they had been less than brilliantly successful. A few, such as Wesleyan University and the University of Rochester, have achieved truly fabulous records in the multiplying of their capital assets through bold financial management. Most of us, however, have rocked along, tied to conservative policies, tied to the conventional wisdom, and at times legal restrictions, which dictated what was judged to be "prudent and responsible" investment criteria. This meant that if we got 4% or 5% return on our capital we were inclined to be satisfied and even downright pleased with ourselves. I have not seen the data on this question, but I strongly suspect that most of our endowments during the past twenty years, aside from infusions of new money, have increased by less than the increase in the Dow-Jones average.

The Ford Foundation, which rather belatedly launched a crusade to needle us into re-examining our financial management policies, calculates that if colleges and universities had managed their endowments since World War II as well as they were managed by those institutions which have been most effective in this area, private higher education would have received during that same period, from the earnings of their own endowment, as much as the entire two billion dollars given to higher education during the same period by the Ford Foundation. What is done is done, and what was not done will never get done so far as that past long-booming bull market is concerned. However, there is reason to believe that new major opportunities for investment growth will come again. The question is, are we ready, will we be ready for those new opportunities when they come? Here I want to make a plea for the professionalization of endowment management, and the concentration of responsibility in the hands of some single decision-making mechanism that can act swiftly in the administration of these funds. Over-burdened college administrators, part-time board members, and even committees of the most competent professionals will not get this job done as it ought to be done. College boards should have the courage and the hard-headed will to employ the best professional investment talent they can find and, under obviously continuous review as to results, leave such professional management free to manage.

However well we administer the funds we already have, we all know that private colleges are going to have to raise more money. So far as I know, there is no magic formula for raising money. There are, however, certain obvious principles which have to be observed.

1. There must be adequate, trained, competent, fund-raising staffs attached to our colleges. Their work must be kept under continuous review, and presidents and boards of trustees must make periodic judgments on the basis of scoreboard performance. In fund-raising, as in general administration and in teaching, there is always the danger of key people going to seed, of programs falling into ruts - if not falling apart. There is no escape from the necessity to build, maintain, and stimulate a top quality fund-raising staff.

2. Committed volunteer workers must be recruited in behalf of the institution's fund-raising needs. No college or university can ever hire enough professionals to do the total money-getting job. Volunteers must be called upon and kept truly informed about the nature of the institution, its programs, its problems, its finest dreams for the future. Volunteers work on inspiration and on a sense of personal reward. We have to put our minds seriously on the question of how they may be most genuinely and effectively inspired and how they may achieve a sense of personal satisfaction and reward for their efforts. I am afraid that many of us on college and university campuses allow ourselves to get so busy with other, often less important tasks, that we neglect to inform, to inspire and to reward these vital volunteer associates.

3. We have to enlarge the size of the core group who work at money-seeking and make sure that they understand and accept responsibility for the fund-raising tasks. Right on the campus we have to get our teaching faculty members and the students themselves to such an understanding of the over-all financial problems and to such a concern for the institution that they, too, will use their energies and imagination in productive ways in behalf of our fund-raising goals.

Finally, let us look at the role we must play in bringing about possible changes and improvements in public policy in the interest of solving our financial problems. Whether we like it or not, private colleges and universities are faced with the necessity of securing state and federal funds in substantial quantities. This is already happening with respect to various types of physical facilities, equipment and special programs. It may well be that within a very few years we shall see the development of a broad program of institutional support from government sources. Some of us have substantial reservations about most, if not all, of these programs. Others of us are eager and unreserved in our desire to get as much tax money where and how we can, and as rapidly as possible. There are still honest differences of opinion in the academic world about the nature and extent of tax support for private, independent and, particularly, church-related colleges. One of our urgent problems at the moment is to gain clarification of the legal status of tax support for colleges and universities which have affiliations with any religious body. In the Maryland case it was eventually decided by a split vote that some types of church-related colleges could receive tax monies and other types of church-related colleges could not, and the difference lay in the degree of "sectarianism" which characterized a particular institution. Never mind that the educational programs were just as secular in one institution as the other, that the physical facilities were just as devoid of religious symbolism on one campus as the other. Somehow the court felt it could bestow its blessing upon some institutions that were "secularized enough" and to withhold its blessing and the disputed tax monies from those that were "not secularized enough." To be open and honest with you, I personally find this judicial interpretation to be the rankest kind of legalistic sophistry, but, for the moment, we have to live with it, even though there are other court decisions which, focusing on the legitimate and secular purposes of educational programs, have come to opposite conclusions.

Meantime, we must watch the progression through the courts of another far more sweeping kind of test case challenging the constitutionality of federal allocations for physical facilities for a group of church-related colleges in Connecticut. What the lower courts or the Supreme Court will decide we will eventually know. My own hunch is that we will be plagued by this problem for a long time unless, or until, we are able to get a constitutional clarification, perhaps even through a constitutional amendment, to the disputed issue of the meaning of the separation of church and state doctrine. Anyone with the dimmest glimmering of any historical understanding of the thinking of the founding fathers who wrote the Constitution and the Bill of Rights, and enacted early federal and state legisla-

tion on this question, must know that the courts in recent years have attempted to create a wall of separation concept far removed from the initial concern in this country to prevent the adoption of an established church. Sooner or later I believe we will have to try to bring about an overall clarification of this issue. Meanwhile many church-related colleges are busy restructuring their boards of trustees and their by-laws to try to qualify under some judge's criterion of "non-sectarianism." It may well be that this is the course that most of us must follow in protection of the financial interests of our institutions.

Let me now comment on some of the issues before us with respect to governmental assistance to private colleges, assuming that the constitutional issues are taken care of.

It has always seemed to me that a basic rule for us to follow in maintaining our independence and integrity is that we should seek support from such a diversity of sources that we would never become dependent on any one. I think the same applies to the types of governmental assistance. From this reasoning I conclude that the potentially most hazardous type of assistance could be across-the-board institutional grants. They lend themselves to manipulation by the administrative agencies that allocate such funds. They could tend to freeze an institution into a rigid established or proposed plan of education. They could create such dependency that institutions would increasingly lose their flexibility, their freedom and their initiative. I am not saying, "no, no, never," to institutional grants under all circumstances, but I am convinced that if such a gift horse comes down the road toward us, we must examine its dentures very closely.

Certain important types of government grants have been for special programs - as, for example, in the natural sciences, in the teaching of rare languages, and in providing new and broader opportunities for disadvantaged minorities. These have been clearly beneficial. Here the federal government has attempted to operate in much the same fashion as private foundations have operated for a long time. There are obvious limitations, of course, inasmuch as a program of grants inevitably leads- and we have all played it - to the game of grantsmanship. Still, by and large, these special grant programs have been good, should be continued, and should be expanded. My caveat here is that the policies which guide the allocation of such grants should be fair, equitable and sophisticated enough to make sure that opportunities are given for weaker colleges to improve themselves, for undergraduate education to gain a larger share of the total support than has been the case up to now, and for rewards to be distributed to institutions that really do creative, imaginative and superior educational work.

Finally, I should like to indicate my support for two rather controversial approaches to public policy and governmental financing for higher education.

The first of these controversial notions is that a large part of government aid should be funneled directly to students, on the basis of need, with freedom of choice given to students to take their educational allowance and spend it in whatever institution will accept them. Such an approach gets around the separation of church and state roadblock and extends freedom of choice in ways that, it seems to me, we ought as a society to want to encourage. Moreover, it would tend to help put institutions on their mettle as they compete increasingly in the years ahead for students.

There are many different ways of providing direct aid to students: the proposed student loan bank, a guaranteed loan program, a kind of nation-wide GI Bill of Rights for college and university scholarships, and other plans. I will not go into them

here. I will only say that both state governments and the federal government could well become partners in a nation-wide system of loans and student stipends, which could enormously increase educational opportunity, increase freedom of choice and stimulate institutions to do their best work.

The second controversial idea I am interested in is the tax credit idea. By and large, the educational establishment of this country has set its face sternly against the tax credit approach to the providing of assistance for higher education As the tuition tax credit was first put forward, it contained, unquestionably, serious social inequities. However, in the more recent versions which have been considered in Congress and, in fact, have passed the Senate, I believe most of these inequities have been eliminated. It would now be possible for such a tax credit arrangement to bring about a great outpouring of scholarship aid, given on a tax credit basis to aid disadvantaged students and others with genuine scholarship needs, as well as to provide tax relief, obviously the central purpose of the legislation, to the harassed overburdened middle-income families.

A related form of tax credit, which I actually prefer to the tuition tax credit, is the gift tax credit. The State of Indiana and the State of Michigan have already passed legislation providing direct credits to state income taxpayers for gifts made to educational institutions chartered within each of these two states. At various times similar legislation has been introduced for credits against federal income tax for contributions to higher education. On the long-standing theory that one of the most effective fund-raising devices ever concocted is the matching or challenge gift, the tax credit for gifts could be expected to release a very considerable new flow of gift money into education and on a basis which requires the minimum of bureaucratic machinery to administer and raises the minimum of legal and constitutional complications. Here again we would be encouraging freedom of choice of both private and institutional initiative. Here again institutions would be put on their toes to compete for gifts. So long as all of us have a chance to engage in that competition on some reasonably fair basis it seems to me that all of us could profit.